

13-14-307 Franchisor's obligations upon termination or noncontinuation of franchise or line-make.

- (1) Upon the termination or noncontinuation of a franchise or a line-make, the franchisor shall pay the franchisee:
- (a) an amount calculated by:
 - (i) including the franchisee's cost of unsold motor vehicles that:
 - (A) are in the franchisee's inventory;
 - (B) were acquired:
 - (I) from the franchisor; or
 - (II) in the ordinary course of business from another franchisee of the same line-make;
 - (C) are new, undamaged, and, except for franchisor accessories, unaltered; or
 - (D) represent the current model year at the time of termination or noncontinuation, or the two model years immediately before the time of termination or noncontinuation;
 - (ii) reducing the amount in Subsection (1)(a)(i) by a prorated 1% for each 1,000 miles over 500 miles registered on a new vehicle's odometer;
 - (iii) adding any charges made by the franchisor, for distribution, delivery, or taxes;
 - (iv) adding the franchisee's cost of any franchisor accessories added on the vehicle, except only those recreational vehicle accessories that are listed in the franchisor's wholesale product literature as options for that vehicle shall be repurchased; and
 - (v) subtracting all allowances paid or credited to the franchisee by the franchisor;
 - (b) the franchisee's cost of new and undamaged motor vehicles in the franchisee's inventory of demonstrator vehicles, reduced by a prorated 1% for each 1000 miles over 500 miles registered on the demonstrator vehicle's odometer, except recreational vehicles whose cost shall be reduced by 2% for each 1,000 miles registered on the odometer of demonstrator self-propelled recreational vehicles, exclusive of miles incurred in delivery of the vehicle, and the cost of demonstrator nonself-propelled recreational vehicles shall be reduced by 10% of the franchisee's vehicle cost:
 - (i) plus any charges made by the franchisor for distribution, delivery, or taxes;
 - (ii) plus the franchisee's cost of any accessories added on the vehicles, except only those recreational vehicle accessories that are listed in the franchisor's wholesale product literature as options for that vehicle shall be repurchased; and
 - (iii) less all allowances paid or credited to the franchisee by the franchisor;
 - (c) the cost of all new, undamaged, and unsold supplies, parts, and accessories as set forth in the franchisor's catalog at the time of termination or noncontinuation for the supplies, parts, and accessories, less all allowances paid or credited to the franchisee by the franchisor;
 - (d) the fair market value, but not less than the franchisee's depreciated acquisition cost of each undamaged sign owned by the franchisee that bears a common name, trade name, or trademark of the franchisor if acquisition of the sign was recommended or required by the franchisor. If a recreational vehicle franchisee has a sign with multiple manufacturers listed, the franchisor is only responsible for its pro rata portion of the sign;
 - (e) the fair market value, but not less than the franchisee's depreciated acquisition cost, of all special tools, equipment, and furnishings acquired from the franchisor or sources approved by the franchisor that were required by the franchisor and are in good and usable condition;
 - (f) the cost of transporting, handling, packing, and loading motor vehicles, supplies, parts, accessories, signs, special tools, equipment, and furnishings;
 - (g) subject to Subsection (5), reasonable compensation to the franchisee for any cost incurred pertaining to the unexpired term of a lease agreement for the dealership's existing location;

- (h) the negotiated fair market value of the dealership premises, based on the fair market value of the real property, if the dealer opts to sell the dealership premises; and
 - (i) compensate the franchisee for the blue sky or goodwill of the dealership, as determined in accordance with the applicable industry standards taking into consideration the effect that the timing of the manufacturer's announcement of discontinuance of a line make has or will have on future profitability of the dealership.
- (2) Subsections (1)(g), (h), and (i) do not apply if a franchise is terminated:
- (a) by the franchisor for cause as defined in Subsections 13-14-301(1)(b) and (2)(a);
 - (b) upon mutual written agreement of the franchisor and franchisee as provided in Subsection 13-14-301(2)(b); or
 - (c) upon voluntary termination by the franchisee as provided in Subsection 13-14-301(4).
- (3) The franchisor shall pay the franchisee the amounts specified in Subsection (1) within 90 days after the tender of the property to the franchisor if the franchisee:
- (a) has clear title to the property; and
 - (b) is in a position to convey title to the franchisor.
- (4) If repurchased inventory, equipment, or demonstrator vehicles are subject to a security interest, the franchisor may make payment jointly to the franchisee and to the holder of the security interest.
- (5) Subsection (1)(g) does not relieve the franchisee or its lessor from an obligation under their lease agreement to mitigate damages.
- (6)
- (a) This section does not apply to a franchisee's voluntary termination or noncontinuation of its franchise that occurs as a result of the franchisee's sale of its dealership business entity or substantially all of the assets of that entity to a third party if the franchisor contemporaneously grants a franchise to the third party on terms and conditions that are comparable to those of the terminating or noncontinuing franchise.
 - (b) Subsection (6)(a) may not be construed to impair a contractual right of a terminating or noncontinuing franchisee under a franchise or related agreement with a franchisor or its affiliate, including a right to return unsold parts.
- (7) This section does not apply to a termination, cancellation, or nonrenewal of:
- (a) a recreational vehicle franchise; or
 - (b) a line-make by a recreational vehicle franchisor.

Amended by Chapter 33, 2010 General Session